

Economic theory actually works in health care

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A study of 7,424 privately insured colon cancer patients found that managed care presence in the market and hospital competition increased the likelihood laparoscopic surgery to treat colon cancer lowered costs, a national team of researchers led by a professor at the George Washington University School of Public Health and Health Services reported in the journal *Cancer*, May 8, 2012.

Colon cancer is the second leading cause of [cancer death](#) in the U.S., and surgical resection is the standard of care. In 2004, there were approximately 134,000 colectomies performed in the U.S.

The researchers examined whether market forces such as managed care or hospital competition affected the likelihood of an open resection, involving a long incision and lengthy hospitalization and recovery, versus laparoscopic surgery with minimal incisions and shorter hospital stays and recoveries.

"This is a timely analysis in the era of [health care reform](#)," said Avi Dor, PhD, lead author and professor of [health policy](#) in the Department of [Health](#) Policy at GWU's school of public health. "It demonstrates that competition among providers can be harnessed to benefit patients and consumers."

A 10% increase of health maintenance organization (HMO) penetration in a market was associated with a 10.3% increase in the utilization of laparoscopy, the researchers found. Also, using a standard measure of

hospital competition, they found that less competition was associated with a lower likelihood of laparoscopy.

The team of researchers utilized a database of claims for privately insured individuals, allowing them to analyze actual payments received by payments. In fact, they found the average cost for laparoscopy was \$18,133 compared to an average cost of \$21,257 for [open surgery](#).

In reviewing the data for the 7,424 patients treated between 2002 and 2007, the researchers adjusted for patient severity and risk. Of the 7,424 patients, 1,035 (or 13.96%) underwent laparoscopic surgery.

Other findings include:

- By 2007, patients were 12.5 times more likely to undergo laparoscopy compared to 2002.
- The price of colectomy procedures was 17.5% lower in 2007 than in 2002.

"Our results carry important implications for health policy and hospital financing beyond the particular procedure studied," the researchers wrote. "... (I)n certain cases, adoption of novel procedures may not necessarily drive prices higher, but rather, it may result in price discounts and real savings."

More information: To view the study, visit:
onlinelibrary.wiley.com/doi/10.../cncr.27573/abstract

Provided by George Washington University

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